

2006

# Omnibus - 2006; Statement on auditing standards, 113

American Institute of Certified Public Accountants. Auditing Standards Board

Follow this and additional works at: [https://egrove.olemiss.edu/aicpa\\_sas](https://egrove.olemiss.edu/aicpa_sas)

 Part of the [Accounting Commons](#), and the [Taxation Commons](#)

---

# Statement on Auditing Standards

Issued by the Auditing Standards Board

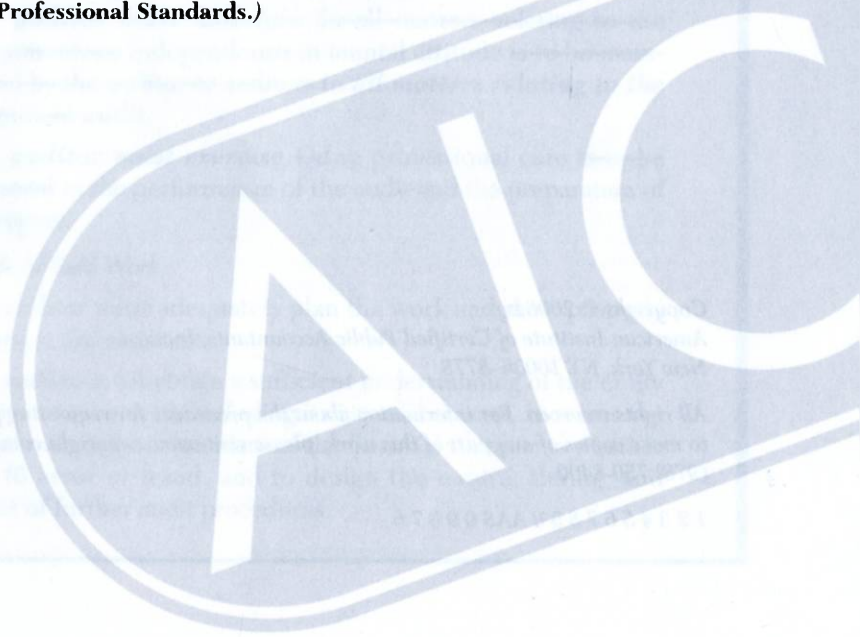
# 113



AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## Omnibus—2006

*(Amends Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards, AICPA, Professional Standards; Statement on Auditing Standards No. 99, Consideration of Fraud in a Financial Statement Audit, AICPA, Professional Standards; Statement on Auditing Standards No. 101, Auditing Fair Value Measurements and Disclosures, AICPA, Professional Standards; Statement on Auditing Standards No. 59, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern, AICPA, Professional Standards; Statement on Auditing Standards No. 57, Auditing Accounting Estimates, AICPA, Professional Standards; "Subsequent Events," of Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures; and Statement on Auditing Standards No. 85, Management Representations, AICPA, Professional Standards.)*



*Copyright © 2006 by  
American Institute of Certified Public Accountants, Inc.  
New York, NY 10036-8775*

*All rights reserved. For information about the procedure for requesting permission  
to make copies of any part of this work, please visit [www.copyright.com](http://www.copyright.com) or call  
(978) 750-8400.*

1 2 3 4 5 6 7 8 9 0 AAS 0 9 8 7 6

# Omnibus Statement on Auditing Standards—2006

## Amendment to SAS No. 95, *Generally Accepted Auditing Standards*

1. This amendment revises Statement on Auditing Standards (SAS) No. 95, *Generally Accepted Auditing Standards*, by clarifying the terminology used to describe professional requirements imposed on auditors in the 10 standards. The first general standard and the three standards of fieldwork were amended by SAS No. 105, *Amendment to SAS No. 95, Generally Accepted Auditing Standards*. New language is shown in boldface italics; deleted language is shown by strikethrough.

2. Paragraph 2 of SAS No. 95 is amended as follows:

The general, field work, and reporting standards (the 10 standards) approved and adopted by the membership of the AICPA, as amended by the AICPA Auditing Standards Board (ASB), are as follows:

### *General Standards*

1. The auditor must ~~be performed by a person or persons having~~ adequate technical training and proficiency ~~as an auditor~~ ***to perform the audit.***
2. ***The auditor must maintain*** ~~In all matters relating to the assignment, an independence in mental attitude is to be maintained by the auditor or auditors~~ ***in all matters relating to the assignment audit.***
3. ***The auditor must exercise*** ~~Due professional care is to be exercised~~ in the performance of the audit and the preparation of the report.

### *Standards of Field Work*

1. The auditor must adequately plan the work and must properly supervise any assistants.
2. The auditor must obtain a sufficient understanding of the entity and its environment, including its internal control, to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures.

3. The auditor must obtain sufficient appropriate audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit. [footnote omitted]

### *Standards of Reporting<sup>2</sup>*

1. The **auditor must state in the auditor's** report ~~shall state~~ whether the financial statements are presented in accordance with generally accepted accounting principles (GAAP).<sup>3</sup>
2. The **auditor must identify in the auditor's** report ~~shall identify~~ those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.
3. **When the auditor determines that informative disclosures are not reasonably adequate, the auditor must so state in the auditor's report.** Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
4. The **auditor must either express an** report ~~shall contain either an expression of opinion regarding the financial statements, taken as a whole, or state an assertion to the effect that an opinion cannot be expressed, in the auditor's report.~~ When **the auditor cannot express** an overall opinion ~~cannot be expressed, the auditor should state the~~ reasons therefor ~~should be stated in the auditor's report.~~ In all cases where an auditor's name is associated with financial statements, the **auditor report** should **clearly indicate** ~~provide~~ contain a clear cut indication of the character of the auditor's work, if any, and the degree of responsibility the auditor is taking, **in the auditor's report.**

2. The reporting standards apply only when the auditor issues a report.

3. When an auditor reports on financial statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles, the first standard of reporting is satisfied by stating in the auditor's report that the basis of presentation is a comprehensive basis of accounting other than generally accepted accounting principles and by expressing an opinion (or disclaiming an opinion) on whether the financial statements are presented in conformity with the comprehensive basis of accounting used.

3. This amendment revises SAS No. 95, paragraph 4. As stated in paragraph 3 of SAS No. 95, Rule 202, *Compliance With Standards*, of the AICPA Code of Professional Conduct requires that the auditor comply with the standards promulgated by the Auditing Standards Board. The first general standard requires the auditor to

have adequate technical training and proficiency to perform the audit. Implicit in that requirement is the idea that the auditor has sufficient knowledge of the SASs to identify those that are applicable to his or her audit. Also, the first sentence of paragraph 4 did not necessarily relate to the remainder of the paragraph. Accordingly, the first sentence has been deleted.

~~.04 The auditor should have sufficient knowledge of the SASs to identify those that are applicable to his or her audit.~~ The nature of the 10 standards and the SASs requires the auditor to exercise professional judgment in applying them. Materiality and audit risk also underlie the application of the 10 standards and the SASs, particularly those related to field work and reporting.[footnote omitted] When, in rare circumstances, the auditor departs from a presumptively mandatory requirement, the auditor must document in the working papers his or her justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement.

## **Amendment to SAS No. 99, Consideration of Fraud in a Financial Statement Audit**

4. To provide a clear link between the auditor's consideration of fraud and the auditor's assessment of risk, the following footnote is to be added to the heading prior to paragraph 35 of SAS No. 99 titled "Identifying Risks That May Result in a Material Misstatement Due to Fraud." Subsequent footnotes are to be renumbered.

**15. SAS No. 109, Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement, requires the auditor to identify and assess the risk of material misstatement at the financial statement level and at the relevant assertion level related to classes of transactions, account balances and disclosures. See paragraph 102 of SAS No. 109.**

5. To provide a clear link between the auditor's consideration of fraud and the auditor's response to assessed risks, the following footnote is to be added to the heading prior to paragraph 46 of SAS No. 99 titled "Responding to the Results of the Assessment." Subsequent footnotes are to be renumbered.

**21. SAS No. 110, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained, requires the auditor to determine overall responses and design and perform further audit procedures to respond to the assessed risks of material misstatement at the financial statement and relevant assertion levels in a financial statement audit. See paragraphs 4 and 7 of SAS No. 110.**

6. The amendments in paragraphs 1 through 5 of this Statement are effective for audits of financial statements for periods beginning on or after December 15, 2006. Earlier application is permitted.

## **Amendments to SASs to Remove References to Completion of Fieldwork**

7. SAS No. 103, *Audit Documentation*, amended SAS No. 1, *Codification of Auditing Standards and Procedures* (“Dating of the Independent Auditor’s Report”), to change the date of the auditor’s report from the date of completion of fieldwork to require that the auditor’s report be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion on the financial statements. The following amendments are necessary to remove references to the completion of fieldwork throughout the SASs.

8. SAS No. 101, *Auditing Fair Value Measurements and Disclosures*, paragraph 41, is amended as follows:

Events and transactions that occur after the balance-sheet date but before **the date of the auditor’s report** ~~completion of fieldwork~~ (for example, a sale of an investment shortly after the balance-sheet date) may provide audit evidence regarding management’s fair value measurements as of the balance-sheet date. In such circumstances, the audit procedures described in paragraphs .26 through .40 may be minimized or unnecessary because the subsequent event or transaction can be used to substantiate the fair value measurement. [Footnote omitted.]

9. SAS No. 59, *The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern*, paragraph 2, as amended, is amended as follows:

.02 The auditor has a responsibility to evaluate whether there is substantial doubt about the entity’s ability to continue as a going

concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being audited (hereinafter referred to as *a reasonable period of time*). The auditor's evaluation is based on his **or her** knowledge of relevant conditions and events that exist at or have occurred prior to the **date of the auditor's report** ~~completion of fieldwork~~. Information about such conditions or events is obtained from the application of auditing procedures planned and performed to achieve audit objectives that are related to management's assertions embodied in the financial statements being audited, as described in section 326, *Evidential Matter*.

10. SAS No. 57, *Auditing Accounting Estimates*, paragraph 10, is amended as follows:

.10 In evaluating reasonableness, the auditor should obtain an understanding of how management developed the estimate. Based on that understanding, the auditor should use one or a combination of the following approaches:

- a. Review and test the process used by management to develop the estimate.
- b. Develop an independent expectation of the estimate to corroborate the reasonableness of management's estimate.
- c. Review subsequent events or transactions occurring prior to **the date of the auditor's report** ~~completion of fieldwork~~.

11. SAS No. 57, *Auditing Accounting Estimates*, paragraph .13, is amended as follows:

.13 *Review subsequent events or transactions*. Events or transactions sometimes occur subsequent to the date of the balance sheet, but prior to the ~~completion of fieldwork~~ **date of the auditor's report**, that are important in identifying and evaluating the reasonableness of accounting estimates or key factors or assumptions used in the preparation of the estimate. In such circumstances, an evaluation of the estimate or of a key factor or assumption may be minimized or unnecessary as the event or transaction can be used by the auditor in evaluating their reasonableness.

12. SAS No. 1, *Codification of Auditing Standards and Procedures*, "Subsequent Events," paragraph 12, is amended as follows:

.12 In addition, the independent auditor should perform other auditing procedures with respect to the period after the balance-sheet date for the purpose of ascertaining the occurrence of subsequent events that may require adjustment or disclosure essential to a



fair presentation of the financial statements in conformity with generally accepted accounting principles. These procedures should be performed at or near the ~~completion of the field work~~ **date of the auditor's report**. The auditor generally should: [There is no change to 12(a) to (d) and 12(f). The change to 12(e) is presented in paragraph 14 of this SAS.]

## **Amendment to SAS No. 85, Management Representations, and SAS No. 1, Codification of Auditing Standards and Procedures ("Subsequent Events")**

13. To align the date of the representation letter with the requirement in SAS No. 103 that the auditor's report not be dated prior to the date on which the auditor has obtained sufficient appropriate audit evidence, paragraph 9 of SAS No. 85, *Management Representations*, as amended, is amended as follows:

.09 The written representations should be addressed to the auditor. Because the auditor is concerned with events occurring through the date of his or her report that may require adjustment to or disclosure in the financial statements, the representations should be made as of ~~a date no earlier than~~ the date of the auditor's report. [If the auditor "dual dates" his or her report, the auditor should consider whether obtaining additional representations relating to the subsequent event is appropriate. See section 530A, *Dating of the Independent Auditor's Report*, paragraph .05]. The letter should be signed by members of management with overall responsibility for financial and operating matters whom the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations. Such members of management normally include the chief executive officer and chief financial officer or others with equivalent positions in the entity.

14. SAS No. 1, *Codification of Auditing Standards and Procedures*, "Subsequent Events," paragraph 12(e) is amended as follows:

- e. Obtain a letter of representations, dated as of ~~a date no earlier than~~ the date of the auditor's report, from appropriate officials, generally the chief executive officer, chief financial officer, or others with equivalent positions in the entity, as to whether any events have occurred subsequent to the date of the financial

statements being reported on by the independent auditor that in the officer's opinion would require adjustment or disclosure in these statements. The auditor may elect to have the client include representations as to significant matters disclosed to the auditor in his **or her** performance of the procedures in subparagraphs (a) to (d) above and (f) below. (See section 333, *Management Representations*.)

15. The amendments in paragraphs 7 through 14 of this Statement are effective for audits of financial statements for periods ending on or after December 15, 2006. Earlier application is permitted.

*This Statement titled Omnibus 2006 was unanimously adopted by the assenting votes of 19 members of the board.*

### **Auditing Standards Board (2005–2006)**

John A. Fogarty, *Chair*  
Harold L. Monk, Jr., *Vice Chair*  
Barton W. Baldwin  
Gerald W. Burns  
Craig W. Crawford  
Robert D. Dohrer  
George P. Fritz  
James W. Goad  
Dan L. Goldwasser  
James E. Lee

Wanda L. Lorenz  
Daniel D. Montgomery  
Keith O. Newton  
Patricia P. Piteo  
Douglas F. Prawitt  
George A. Rippey  
Lisa A. Ritter  
Diane M. Rubin  
Scott A. Seasock

### **AICPA Staff**

Charles E. Landes  
*Vice President*  
*Professional Standards*  
*and Services*

Sharon Walker  
*Technical Manager*  
*Audit and Attest Standards*

**Note:** *Statements on Auditing Standards are issued by the Auditing Standards Board, the senior technical body of the Institute designated to issue pronouncements on auditing matters. Rule 202, Compliance With Standards, of the Institute's Code of Professional Conduct requires compliance with these standards in an audit of a non-issuer.*

*How Successful  
Pragmatic Standards in  
and Beyond*

*Exceeded Manager  
Quality and Asset Standards*

Under the guidance of leading standards provided by the Institute of Standards, the  
the United Kingdom Office of the Secretary, designed to make a permanent commitment  
and the quality of the standards of the Institute's Code of  
Performance, which is a key factor in the standards of the Institute's Code of  
Performance.

AICPA Member and  
Public Information:  
**[www.aicpa.org](http://www.aicpa.org)**

AICPA Online Store:  
**[www.cpa2biz.com](http://www.cpa2biz.com)**